

**To Table of Contents**

# **CALIFORNIA ECONOMIC INDICATORS**

## **March/April 1998**



**DEPARTMENT OF FINANCE**

## CONTENTS

Section	Page
<u>INTRODUCTION</u>	<u>2</u>
<u>REVIEW OF ECONOMIC DEVELOPMENTS</u>	<u>3</u>
<u>CALIFORNIA FOREIGN TRADE IN 1997</u>	<u>5</u>
Employment	9
Hours and Earnings in Manufacturing	9
Production	9
Trade	9
Consumer Price Index	10
Construction	10
Nonresidential Vacancy Rates	10
Median Home Price	11
<u>LEADING INDICATORS</u>	<u>11</u>
<u>COINCIDENT INDICATORS</u>	<u>12</u>
<u>OTHER INDICATORS</u>	<u>12</u>
<u>ECONOMIC INDICATOR CHARTS</u>	<u>13</u>
<u>CHRONOLOGY</u>	<u>19</u>
<u>REFERENCE DATES OF U.S. BUSINESS CYCLES</u>	<u>28</u>

## INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1981 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S. business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the Indicators a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 8th Floor, 915 L Street, Sacramento, CA 95814.

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## REVIEW OF RECENT ECONOMIC DEVELOPMENTS

Revisions to California nonfarm wage and salary employment data show a far stronger pace of economic growth during 1997 than originally reported. Growth between December 1996 and December 1997 was revised up by 130,000 jobs to more than 495,000 new jobs across the year. The first quarter of 1998 maintained that brisk pace, with annual growth continuing to average about one-half million new jobs over comparable 1997 levels.

Upward revisions were posted in each of California's major private industries (see Figure 1) and all but two of the state's 17 largest metropolitan areas. Among industries, growth in wholesale and retail trade was pushed up by 44,400 jobs. Durable goods manufacturing—mainly high-technology equipment—was boosted by 17,300, and the finance group growth tripled from the originally-reported figure to 19,200 jobs last year.

Services added 40,000 more jobs than initially reported, counting nearly 200,000 new jobs last year. Construction growth was boosted by 7,500 jobs, with annual growth now figured at almost 12 percent—by far the fastest percentage gain of any major industry group.

Government was the only major sector to be revised down in the new figures, which count about 5,000 fewer jobs spread fairly evenly among the federal, state and local levels of government.

Significant upward revisions were made in the San Diego, Oakland, San Jose, Orange County and San Francisco metropolitan areas. San Diego tallied an additional 31,000 new jobs, more than doubling the county's annual growth from the figures originally reported. Bakersfield (Kern County) and Ventura registered small downward revisions of about 1,000 jobs each.

**The Current Situation.** The strong economic performance reflected in the revision continued in the first quarter of 1998. Following a slow, probably weather-related start in Janu-

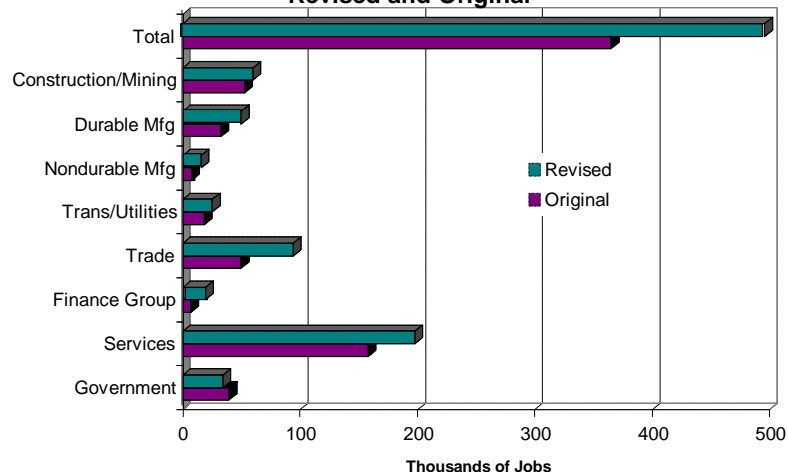
ary, nonfarm employment jumped by more than 38,000 in February and tacked on an additional 34,000 jobs in March.

Year-to-year comparisons for the first quarter are similar to the revised December figures shown in Figure 1. Services continues to add close to 200,000 new jobs a year, and construction remains the fastest-growing in percentage terms, up 9.7 percent from the early 1997 level.

Regionally, San Jose (Silicon Valley) continues to be the State's most vigorous job market, posting a 4.8-percent March-to-March increase. Vallejo-Fairfield-Napa (Napa and Solano counties), was a close second at 4.7-percent growth. Riverside-San Bernardino, Orange County and Modesto all posted above-average growth of between 4 and 4.5 percent.

Despite strong job gains, a quickening pace of labor force growth has slowed the drop in the state's jobless rate. The civilian employment and unemployment figures, based on a different survey than the nonfarm data discussed above, continue to show healthy employment growth—47,000 persons found jobs during March. But the labor force—those looking for work—increased by 56,000, bumping the jobless rate up by 0.1 per-

**Figure 1**  
**California Employment Growth: December 1996 to**  
**Revised and Original**



centage point to 6 percent in March. A year ago, the rate was 6.4 percent.

As is often the case in a strong economy, enhanced job opportunities are luring more people into the workforce. In March 1998, 66.5 percent of the working-age population (age 16 and over) were either employed or looking for work. That figure represents a 0.4 percentage point increase from the March 1997 reading of 66.1 percent. Had labor force participation remained constant over the year—as was the case nationally—California's jobless rate would have been around 5 ½ percent in March.

Several other recently available indicators of economic activity also posted strong gains. Taxable sales, for example, jumped 7.5 percent in the fourth quarter 1997 from the comparable 1996 level—a remarkable gain considering that there was virtually no inflation in consumer goods last year. For all of 1997, sales rose 6.4 percent. These gains compare with national retail sales increases of less than 5 percent for both the fourth quarter and the full year.

As detailed in the following article, exports of California-made goods picked up noticeably in the second half of 1997, with fourth quarter exports up 10 percent from late-1996 levels. In the full-year results, weakness was evident in some—but not all—Asian nations, but exports to Mexico jumped \$3 billion, or 33 percent, offsetting weakness from the Far East.

**El Niño's Toll.** Construction activity was clearly affected by February's record rainfall. Both residential and nonresidential building permits were down from January as well as from the February 1997 level.

The soggy weather should prove to be only a temporary setback. CB Commercial reports that office vacancy rates are falling throughout the State, and are among the lowest in the nation in such major markets as San Francisco, San Jose and Sacramento. Industrial space availability is also low in most of California's major metropolitan areas. Meanwhile, with mortgage interest rates remaining at near-25 year lows, homebuilding activity should also pick up in the months ahead.

## CALIFORNIA FOREIGN TRADE IN 1997

### Overview

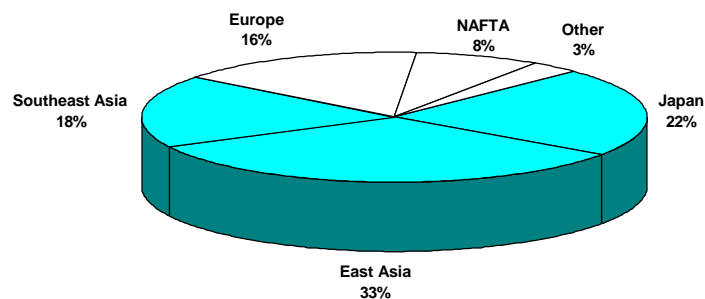
Exports—particularly exports to Asia—are far more important to California than to the nation as a whole. Over half of the State's exports are to Asia, double the nation's proportion. Thus, the financial and economic problems in that region are of special importance to California.

There are two types of international trade data available for states to track exports. The first is the 'port data', which show the movement of goods through California's air, sea and land ports. For exports, the totals include goods made in any part of the US. For imports, they include goods consumed by households or businesses in California and other states. While important for tracking trends and infrastructure demands on the ports and the remainder of the transportation industry, they provide only a partial picture of the economic impact of trade on the State.

A second type of trade data offers a better pic-

ture of the economic impact of exports. These state-of-origin (made-in-California) trade data are refined from national export data by the Massachusetts Institute for Social and Eco-

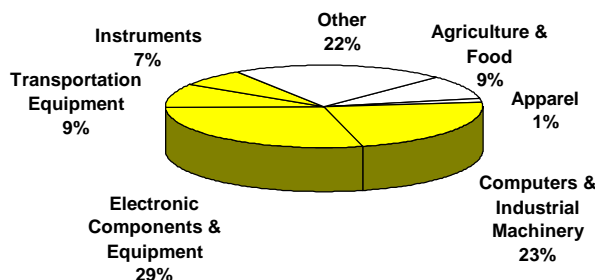
**Figure 2**  
International Exports from California Ports, 1997



conomic Research, but do not include imports because the U.S. does not collect information on the final destination of goods after they enter the country.

Given the problems in Asia, last year was a good year for port activity in California and a surprisingly strong year for made-in-California goods sold overseas. However, the data also show that the problems in east Asia are already presenting challenges to California.

**Figure 3**  
Exports from California Ports by Commodity Type,



### Port Data: Moving Goods To and From California

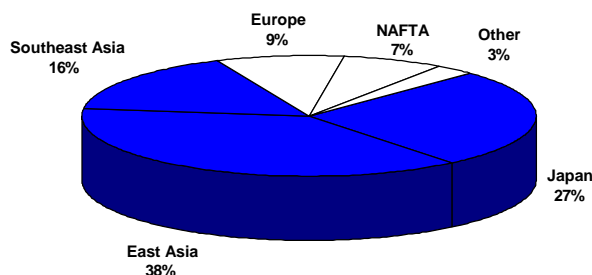
**Exports** from California ports are dominated by shipments to Asia. As shown in Figure 2, nearly three-quarters of total port value is bound for Asia; with Japan by far the largest single national market. Given the turmoil in Asia, with flat economic conditions in Japan and outright declines in Korea

and much of Southeast Asia, the port data reveal weakness in several of these countries. While most economists predict that this region will return to overall growth soon, the short-term prospects are guarded at best. Last year, total exports through California ports grew to \$131 billion, a 5.7-percent increase—the smallest gain since 1993.

Of the 27 percent of California port shipments not bound for Asia, exports to Europe and NAFTA (North American Free Trade Agreement) partners Canada and Mexico together account for 24 percent. The remaining 3-percent fraction represent shipments to the rest of Latin America, the Caribbean, Africa and the Middle-East.

Figure 3 shows the industrial composition of exports, highlighting the importance of high-technology equipment to California port activity. Approximately two-thirds of exports are from four industries—electronic components and equipment, computers and industrial machinery, transportation equipment, and instruments. Food and agriculture account for 9 percent. Apparel, while of much less significance than several industries included in the 'other' cate-

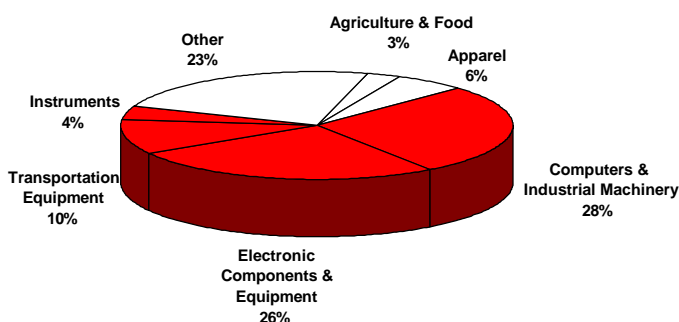
**Figure 4**  
**Origins of Imports Through California Ports, 1997**



gory in the figure, is highlighted for comparison with imports.

**Imports** demonstrate geographic patterns very similar to exports, but with an even-greater reliance on Asia. Well over 80 percent of imports come from Asia, and again, Japan is the single most important source. Imports from Europe and NAFTA partners make up most of the remaining 19 percent, with Latin America, the Caribbean, Africa and the Middle East forming a very small share (Figure 5). Overall, imports increased by 8.7 percent for the year, considerably more than the 2.9-percent gain in 1996, but lower than the four-year run of double digit increases from 1992 to 1995.

**Figure 5**  
**Imports Through California Ports by Commodity Type, 1997**



The composition of imports is similar to exports, but the differences reveal much about the linkages between high-tech industry in California and Asia. While high-technology imports dominate, the share is not quite as large as for exports. The two most important industries—computers and industrial equipment and electronic components—are the same, but reversed in order of importance.

Computers and industrial machinery, a category dominated by finished goods, is the more

important import sector. Electronic components and equipment falls to second place among import categories. To a considerable degree, trade in this industry reflects a pattern of components exported for assembly in Asia and re-exported to the United States (and other countries as well) as finished goods.

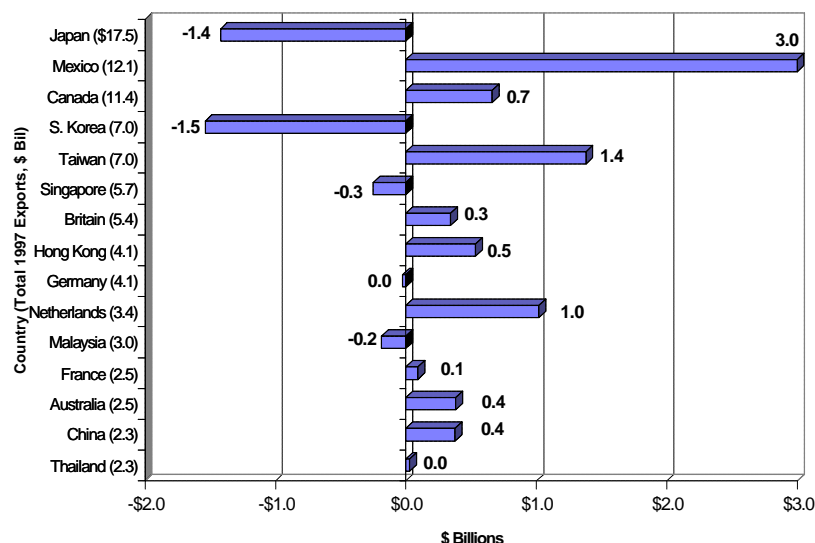
In the case of transportation equipment, while overall import and export shares are similar, the goods involved are quite different in each direction. Aerospace dominates transportation exports, while automobiles (cars and trucks) comprise the largest share of imports.

Not surprisingly, imports of agriculture and food products are considerably less than farm exports, while apparel and textile imports are significantly higher than soft goods exports.

### Made-in-California International Exports

State-of-origin or "made-in-California" export data indicate the impact of trade on the California economy—mainly the manufacturing sector. While there are broad similarities between the port and state-of-origin data, there also some

**Figure 7**  
**Made-in-California Exports-Top 15 Countries**  
**1996-97 \$ Change in Billions**



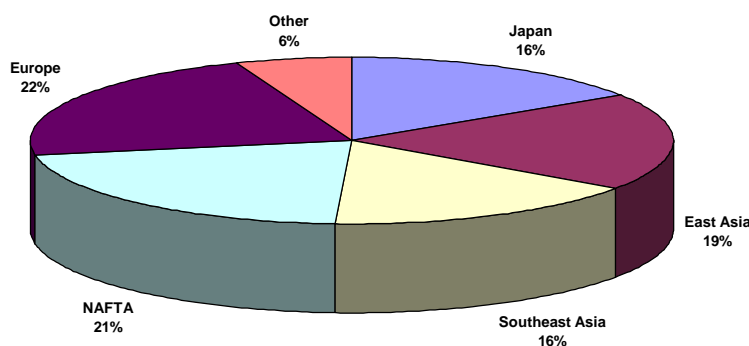
interesting differences in both commodities and destinations of California-made goods.

In what markets do California-made goods sell? As shown in Figure 6, Japan and the rest of Asia are by far the largest markets, but compared to the port data, there are significant shares to NAFTA and Europe as well. Thus, Asia which accounts for over 80 percent of California port shipments, is just over half of *California-made* exports. Of California-made exports, NAFTA's 16-percent share is double the proportion registered in the port data. Overland shipments to Canada and Mexico are, for the most part, not counted in the port data. Likewise, many California goods are shipped to ports on the East or Gulf Coasts for transport to Europe.

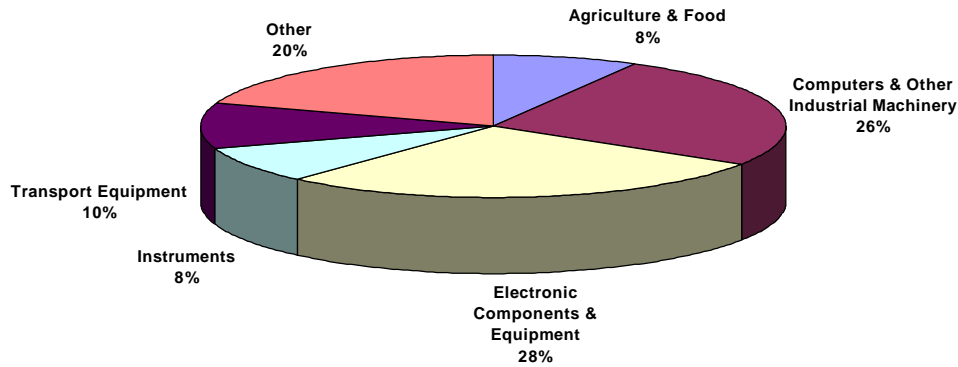
Exports to Japan, the largest destination, were off by 7.5 percent in 1997. However, these losses and an 18-percent drop in exports to Korea were more than replaced in dollar terms by increases in exports to Mexico. (Figure 7)

Clearly, Mexico is the star export market for California, growing by \$3 billion or 33 per-

**Figure 6**  
**Made-in-California Exports by World Region**



**Figure 8**  
**Made-in-California Exports by Commodity**



cent last year, on top of a 25-percent jump in 1996. Last year, Mexico passed Canada as California's second largest export market. These results clearly illustrate the benefits to California of NAFTA. This sharp increase in sales to Mexico occurred despite a rising dollar-peso exchange rate, which makes California-made goods more expensive south of the border. Sales to Canada continued to post moderately-strong growth, also despite a slight rise in the U.S. dollar exchange rate.

The results for East and Southeast Asian markets were mixed. In East Asia, although there were sharp declines in shipments to Japan and Korea, exports to such countries as Taiwan, Hong Kong and China registered strong double-digit increases.

Exports to Southeast Asia (Singapore, Malaysia, Thailand, the Philippines and Indonesia among the State's top 25 markets) were essentially flat last year. For the most part, these countries are not important end markets for California, and the depreciation of many of the region's currencies has actually lowered costs for many California-based manufacturers who assemble products in those countries.

With the notable exception of Indonesia, Southeast Asian countries are moving quickly to resolve their economic and financial problems, as is Korea. As a result, many observers believe that by 1999, most of these nations should be

on the road to recovery. Japan's problems are more complex and may take somewhat longer to solve. But the outlook for Japan is one of stagnation or at worst a mild recession.

Sales to Europe grew by over 9 percent—one and one-half times the overall average for California exports, with the UK and Netherlands lead-

ing the growth.

The commodity data reflected in Figure 8 illustrate the overwhelming role of high-technology goods in California exports, with agriculture and food the only other sector of significance. Instruments and transport equipment were the fastest growing export industries last year. Aerospace industries dominate these sectors for California, with avionics making up one-half of instrument sales and aircraft, missiles and space vehicles comprising the majority of transportation goods.

Agricultural and food exports continue a moderate upward trend, despite weak economic conditions in Japan, which buys nearly one-quarter of California's food exports. Another quarter is sold to other Asian countries, a similar amount to NAFTA partners and the remaining quarter to Europe and the rest of the world.

Considering the financial and economic turmoil in several of California's leading markets, the six-percent rise in the State's export sales last year represents a significant achievement. The huge gains in exports to Mexico reflect both that country's success in turning around its economy and the importance of NAFTA in freeing trade relations with California's closest international neighbor.

**EMPLOYMENT**  
(Seasonally adjusted)

	1998			1997		Yr-Over-Yr % Change
	Mar	Feb	Jan	Dec	Mar	
Civilian employment (000)	15,236	15,189	15,146	15,152	14,834	2.7
Unemployment (000)	967	958	968	971	1,022	-5.4
Unemployment rate	6.0	5.9	6.0	6.0	6.4	--
Nonagricultural wage and salary employment a/ (000)	13,474.4	13,439.9	13,401.2	13,398.3	13,011.6	3.6
Mining	29.1	29.3	29.5	29.5	29.5	-1.4
Construction	589.6	582.3	583.4	577.9	541.9	8.8
Manufacturing	1,948.2	1,945.2	1,943.2	1,941.6	1,892.2	3.0
High technology b/ Transportation and public utilities	526.6	525.8	526.7	526.8	512.2	2.8
Trade	679.7	676.5	675.6	675.1	656.1	3.6
Finance, insurance and real estate	3,114.7	3,107.1	3,091.3	3,106.6	3,023.9	3.0
Services	773.0	769.9	765.8	765.1	745.6	3.7
Government	4,176.5	4,168.6	4,154.9	4,142.0	3,984.5	4.8
	2,163.6	2,161.0	2,157.5	2,160.5	2,137.9	1.2

**HOURS AND EARNINGS IN MANUFACTURING**

	1998			1997		Yr-Over-Yr % Change
	Mar	Feb	Jan	Dec	Mar	
Average weekly hours c/	41.9	41.6	41.8	42.9	42.1	-0.5
Average weekly earnings c/	\$564.81	\$557.44	\$562.63	\$577.86	\$552.77	2.2
Average hourly earnings c/	\$13.48	\$13.40	\$13.46	\$13.47	\$13.13	2.7

**PRODUCTION**

	1997				1996	Yr-Over-Yr % Change
	Dec	Nov	Oct	Sep	Dec	
Petroleum (000 barrels daily) c/	932	921	923	945	930	0.1
Portland cement (000 short tons) c/	911	892	1,240	1,145	742	22.9

**TRADE**  
(Seasonally adjusted)

	1998	1997				Yr-Over-Yr % Change
	Jan	Dec	Nov	Oct	Jan	
New auto registrations (number)	112,808	110,529	113,942	114,178	105,559	6.9

a/ Seasonally adjusted by the California Employment Development Department.

b/ Based on the 1987 SIC codes. These values are not seasonally adjusted.

c/ Not seasonally adjusted.

**CONSUMER PRICE INDEX**  
(1982-84=100)

	1998			1997		Yr-Over-Yr % Change
	Mar	Feb	Jan	Dec	Mar	
All Urban Consumers Series						
California Average	n.a.	162.1	n.a.	162.0	160.0	--
San Francisco CMSA	n.a.	163.2	n.a.	162.6	159.2	--
Los Angeles CMSA	161.4	161.1	161.0	161.2	159.8	1.0
Urban Wage Earners and Clerical Workers Series						
California Average	n.a.	156.1	n.a.	156.3	154.5	--
San Francisco CMSA	n.a.	159.6	n.a.	159.4	156.2	--
Los Angeles CMSA	155.1	155.0	155.1	155.3	154.2	0.6

**CONSTRUCTION**

	1998		1997			Yr-Over-Yr % Change
	Feb	Jan	Dec	Nov	Feb	
Private residential housing units authorized (000) a/	97.1	117.2	110.4	118.8	107.4	-9.6
Single units	68.6	91.1	79.9	89.3	82.8	-17.2
Multiple units	28.5	26.1	30.5	29.5	24.6	16.0
Residential building authorized valuation (millions) b/	\$1,335	\$1,552	\$1,737	\$1,591	\$1,465	-8.8
Nonresidential building authorized valuation (millions) b/	\$899	\$1,274	\$1,247	\$869	\$1,055	-14.8
Nonresidential building authorized valuation (millions) c/	\$792	\$959	\$1,002	\$811	\$924	-14.3
Commercial	\$273	\$289	\$351	\$252	\$292	-6.4
Industrial	99	138	84	103	147	-32.6
Other	58	112	80	90	108	-45.8
Alterations and additions	361	419	487	367	376	-4.2

**VACANCY RATES FOR DECEMBER 1997**  
(Percent)

	Office			
	Total	Downtown	Suburban	Industrial
Northern and Central California:				
Fresno	14.3	28.4	11.7	8.0
Oakland-East Bay	10.2	14.1	9.1	--
Sacramento	9.4	7.4	10.1	7.1
San Francisco	3.4	3.0	3.9	7.2
San Jose	2.3	2.1	2.3	--
Southern California:				
Bakersfield	12.6	13.0	12.3	--
Los Angeles	15.7	17.3	15.3	9.2
Orange County	10.5	--	10.5	--
San Diego	10.5	18.6	8.3	6.6
Ventura County	13.8	--	13.8	--
National Average	9.9	10.8	9.2	8.4

a/ Seasonally adjusted annual rate

b/ Seasonally adjusted

c/ Not seasonally adjusted      n.a. Not available

Seasonal adjustment done by the California Department of Finance.

# MEDIAN PRICE OF EXISTING SINGLE FAMILY HOMES

1997

Jan \$175,630  
Feb 167,790  
Mar 177,740  
Apr 181,220  
May 185,010  
Jun 188,800

Jul 192,630  
Aug 194,390  
Sep 193,760  
Oct 192,070  
Nov 193,045  
Dec 189,994

1998

Jan \$190,553  
Feb 186,582

## LEADING INDICATORS a/

		<u>Manufacturing</u>		<u>New Business</u>
		<u>Overtime</u>	<u>Average</u>	<u>Incorporations</u>
		<u>Hours</u>	<u>Weekly Hours</u>	
1997	Jan	4.8	41.6	4,644
	Feb	4.8	41.8	4,379
	Mar	5.1	42.1	3,607
	Apr	5.0	41.9	4,129
	May	5.0	41.9	4,408
	Jun	5.0	41.9	4,465
	Jul	4.9	41.9	5,061
	Aug	5.0	42.0	4,004
	Sep	4.9	41.8	4,725
	Oct	4.9	42.0	4,713
	Nov	5.0	42.2	4,181
	Dec	5.2	42.1	4,750
1998	Jan	5.2	42.2	4,649
	Feb	5.0	41.9	4,590
	Mar	4.9	41.9	4,667
		<u>Unemployment Insurance</u>	<u>Housing Unit</u>	
		<u>Initial Claims</u>	<u>Authorizations</u>	
			<u>(Thousands)</u>	
1997	Jan	64,780	97.5	
	Feb	57,558	107.4	
	Mar	58,485	94.9	
	Apr	59,487	101.6	
	May	60,730	108.5	
	Jun	62,489	108.9	
	Jul	62,447	113.8	
	Aug	62,131	119.3	
	Sep	62,913	119.0	
	Oct	61,649	130.1	
	Nov	60,006	118.8	
	Dec	59,436	110.4	
1998	Jan	55,988	117.2	
	Feb	61,776	97.1	
	Mar	n.a.	n.a.	

a/ Seasonally adjusted by the California Department of Finance.

**COINCIDENT INDICATORS a/**

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1997	Jan	12,907	1,881	6.7	447
	Feb	12,960	1,886	6.6	407
	Mar	13,012	1,892	6.4	385
	Apr	13,089	1,901	6.4	398
	May	13,118	1,908	6.3	366
	Jun	13,150	1,914	6.3	381
	Jul	13,203	1,926	6.2	392
	Aug	13,225	1,926	6.2	373
	Sep	13,278	1,927	6.2	386
	Oct	13,319	1,935	6.2	378
	Nov	13,367	1,937	6.1	371
	Dec	13,398	1,942	6.0	395
1998	Jan	13,401	1,943	6.0	341
	Feb	13,440	1,945	5.9	359
	Mar	13,474	1,948	6.0	n.a.

		Personal Income (\$ millions)	Wages & Salaries from Mining, Construction and Manufacturing (\$ millions)	Taxable Sales (\$ millions)
1995	Qtr I	746,938	84,527	73,137
	Qtr II	764,271	86,526	75,106
	Qtr III	771,578	88,242	75,873
	Qtr IV	774,953	88,960	76,568
1996	Qtr I	796,375	92,485	79,562
	Qtr II	803,284	92,170	80,350
	Qtr III	804,844	90,032	80,237
	Qtr IV	827,398	95,647	80,805
1997	Qtr I	846,248	98,932	83,424
	Qtr II	856,002	100,404	85,171
	Qtr III	872,596	104,794	85,693
	Qtr IV	894,017	105,862	n.a.

**OTHER INDICATORS a/**

<u>DOD Prime Contracts b/</u>			<u>Electricity Production</u>		
	<u>\$ millions</u>	<u>% of U.S.</u>		<u>(Million KWH)</u>	
1981-82	\$22,685	21.8	1996	Jan	8,918
1982-83	26,387	22.2		Feb	10,420
1983-84	28,520	23.0		Mar	9,923
1984-85	29,115	20.8		Apr	9,971
				May	10,302
1985-86	27,738	20.4	Jun	9,865	
1986-87	24,515	18.4	Jul	10,051	
1987-88	23,458	18.7	Aug	9,507	
1988-89	23,125	19.3	Sep	9,079	
1989-90	22,312	18.4	Oct	9,245	
			Nov	8,673	
1990-91	24,265	19.5	Dec	8,835	
1991-92	23,843	21.2	1997	Jan	9,219
1992-93	22,952	20.1		Feb	9,158
1993-94	22,573	20.5		Mar	9,179
1994-95	18,277	16.8		Apr	9,961
				May	10,286
1995-96	18,230	16.7		Jun	8,891
1996-97	18,477	17.3		Jul	9,090
				Aug	9,243
				Sep	11,129
				Oct	9,871
				Nov	8,414
				Dec	8,698

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.  
DOD Prime Contract Awards is not seasonally adjusted.

b/ U.S. fiscal year: October through September

n.a. Not available

## ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

### TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, The X-11 Arima Seasonal Adjustment Method (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

#### Manufacturing Employment

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

#### Taxable Sales

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

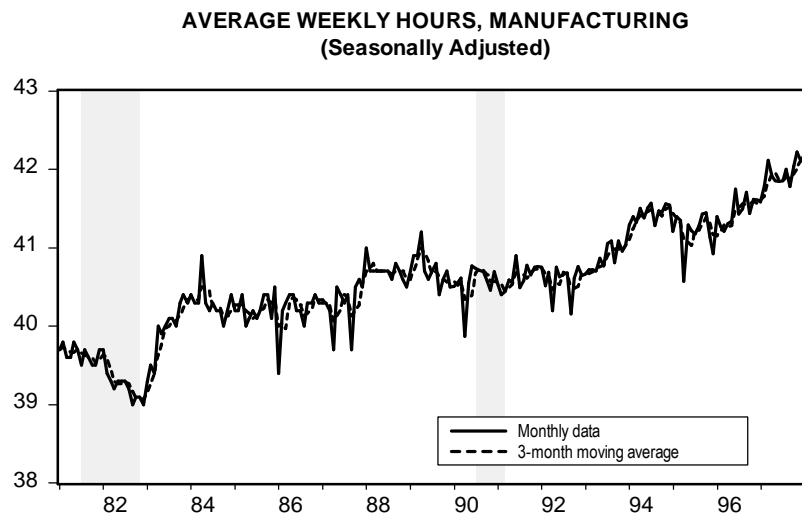
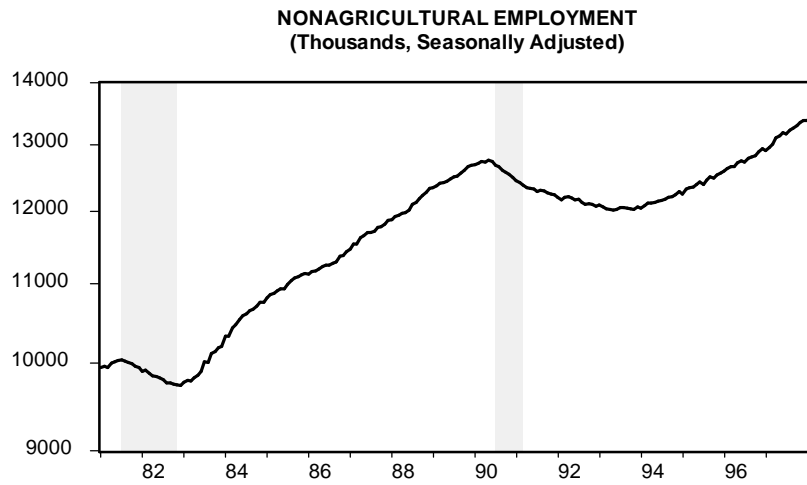
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

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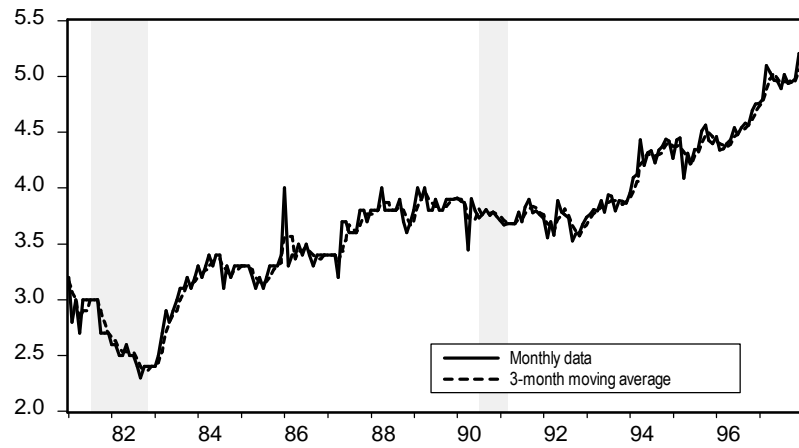
### A NOTE ON PRIME CONTRACT AWARDS

Due to a change in the collection of data, the U.S. Department of Defense will not be publishing Prime Contract Awards by State for the first half of U.S. fiscal years 1989 and 1990. The publication will be resumed in 1991. Since the first-half data are necessary for deriving the quarterly series, the graph will be temporarily discontinued. In the Economic Data section, we will provide fiscal year totals and quarterly updates whenever available.

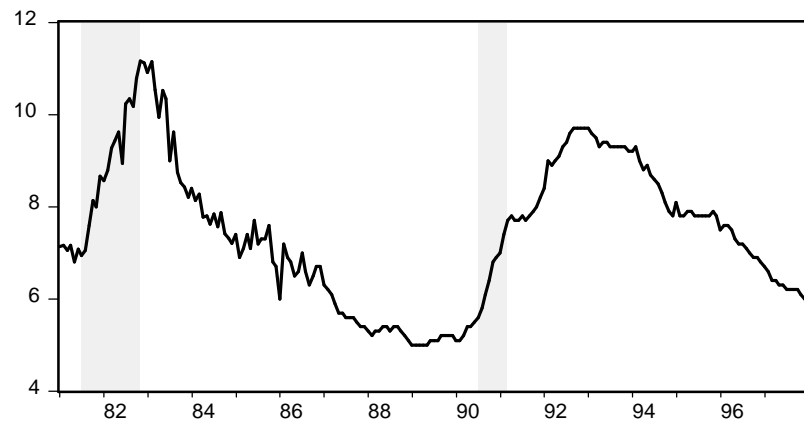
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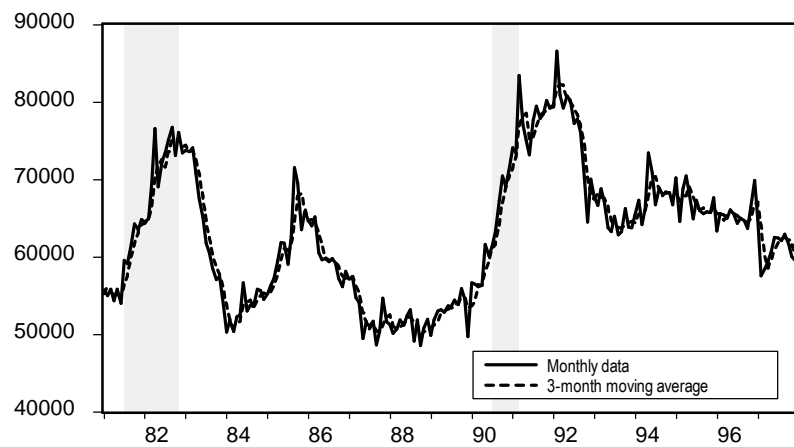
**AVERAGE OVERTIME HOURS, MANUFACTURING**  
(Seasonally Adjusted)



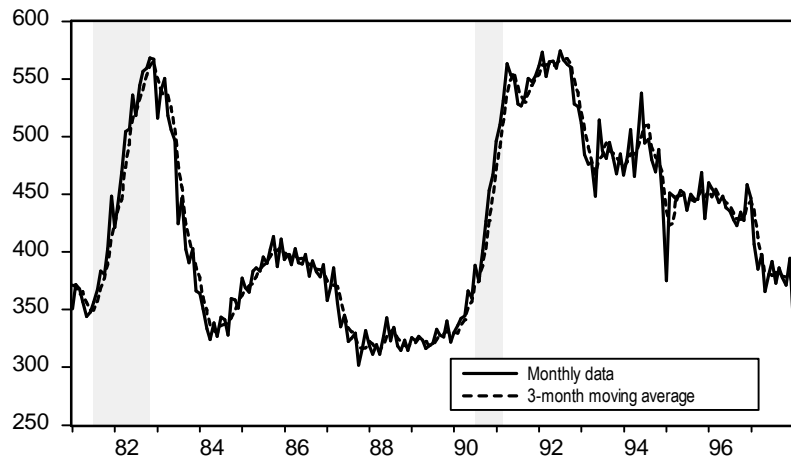
**UNEMPLOYMENT RATE**  
(Percent)



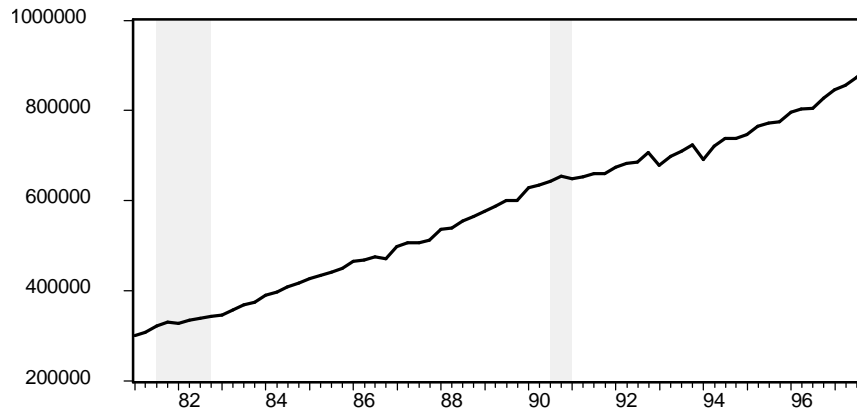
**INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE**  
(Weekly Average, Seasonally Adjusted)



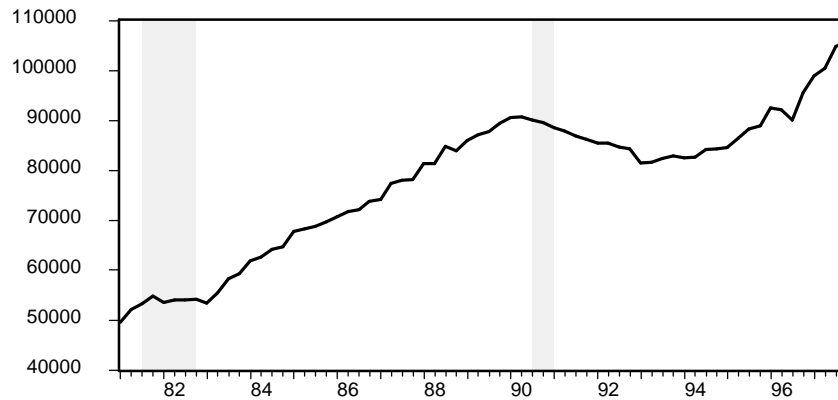
**INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED**  
(Thousands, Seasonally Adjusted)

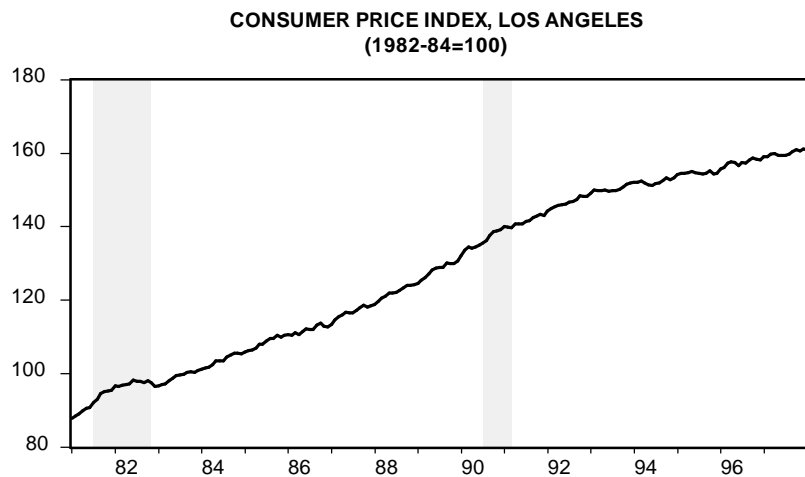
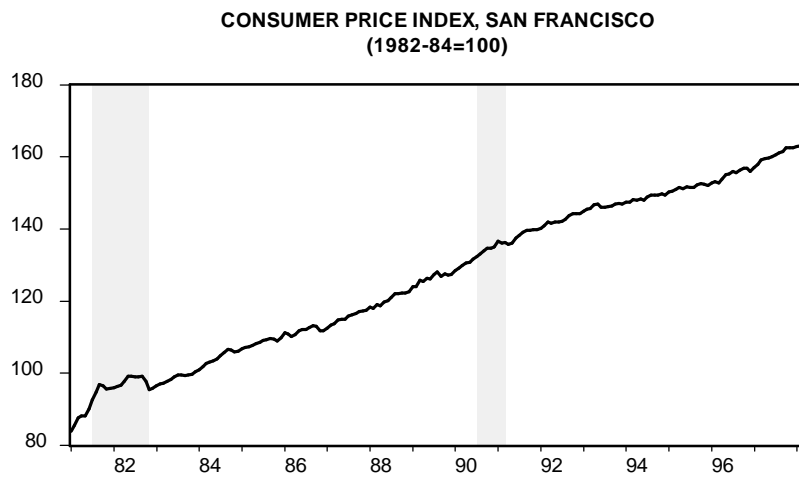
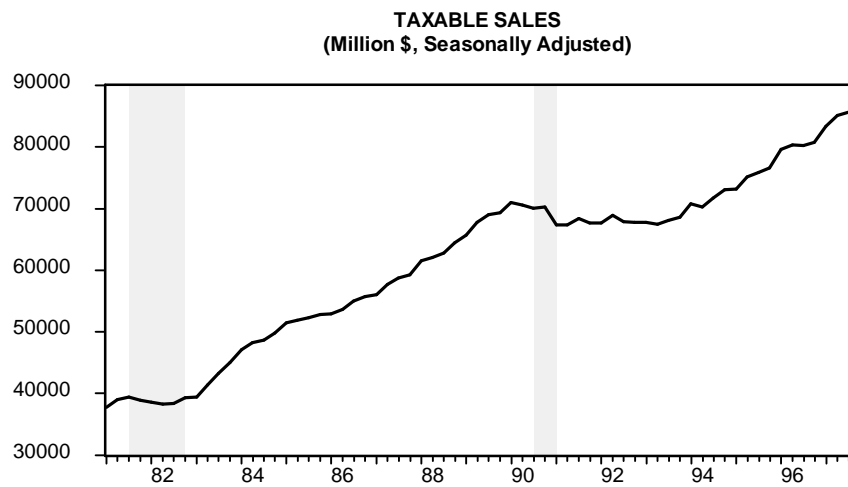


**PERSONAL INCOME**  
(Million \$, Seasonally Adjusted)

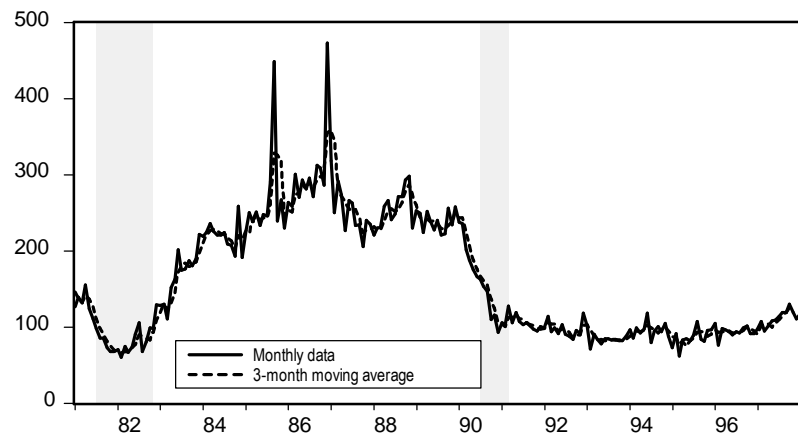


**WAGES AND SALARIES  
MINING, CONSTRUCTION AND MANUFACTURING**  
(Million \$, Seasonally Adjusted)

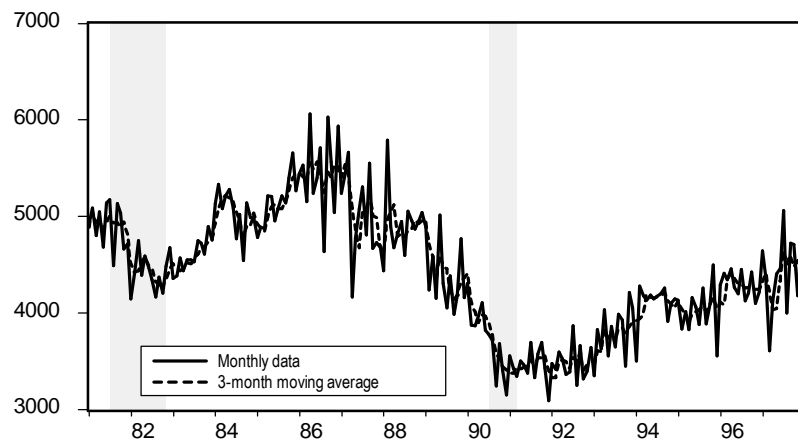




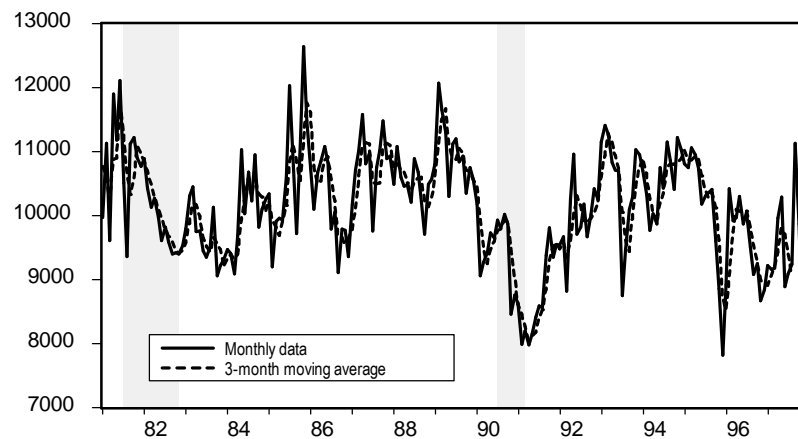
**PRIVATE HOUSING UNITS AUTHORIZED**  
(Thousands, Seasonally Adjusted at Annual Rate)



**NEW BUSINESS INCORPORATIONS**  
(Seasonally Adjusted)



**ELECTRICITY PRODUCTION**  
(Thousand KWH, Seasonally Adjusted)



## CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included.

1990		1990--Continued	
January 8	Prime rate cut from 10-1/2 percent to 10 percent.	December 18	Discount rate cut from 7 percent to 6-1/2 percent.
January 15	Campeau Corp. files for Chapter 11 bankruptcy-law protection.	<b>1991</b>	
February 13	Drexel Burnham Lambert Inc. files for Chapter 11 bankruptcy-law protection.	January 1	California gasoline and diesel fuel tax increase of one cent per gallon.
March 2	Amalgamated Transit Union strikes Greyhound Lines, Inc.	January 2	Prime rate cut from 10 percent to 9-1/2 percent.
April 1	Federal minimum wage raised from \$3.35 to \$3.80.	January 12	Congress approves use of force in Iraq.
July 27	Revised GNP estimates cut 1989 growth by 1/2 percent. Year-over-year growth for the second quarter only 1.2 percent.	January 16	U.S. begins military action against Iraq.
August 1	California gasoline and diesel fuel tax increase of 5 cents per gallon.	February 1	Discount rate cut from 6-1/2 percent to 6 percent.
August 2	Iraq invades Kuwait.		Prime rate reduced from 9-1/2 percent to 9 percent.
September 9	California population reaches 30 million according to California Department of Finance.		Carter Hawley Hale files for bankruptcy protection.
November 30	Index of leading indicators declines for fourth month in a row.	February 26	Iraqi troops withdraw from Kuwait.
December 1	Federal gasoline tax increase of 5 cents per gallon.	February 27	President Bush orders a cease fire in the war against Iraq.
December 4	Federal Reserve cuts bank reserve requirements by \$11 billion.	April 1	Federal minimum wage raised from \$3.80 to \$4.25.
		April 23	Lockheed-Georgia awarded F-22 Air Force contract.
		April 30	Discount rate cut from 6 percent to 5-1/2 percent.

## CHRONOLOGY--Continued

1991--Continued		1992--Continued	
May 1	Prime rate reduced from 9 percent to 8-1/2 percent.	January 27	R.H. Macy files for Chapter 11 bankruptcy protection.
June 28	Sierra Madre earthquake in Los Angeles County.	January 31	TWA files for bankruptcy protection.
July 15	Chemical Banking and Manufacturers Hanover agree to merge.	February 10	Los Angeles floods
August 12	BankAmerica agrees to acquire Security Pacific, surpassing the Chemical/Manufacturers Hanover merger as the largest in the banking industry.	April 22	Palm Springs earthquake
		April 25- April 26	Ferndale earthquakes
		April 29- May 2	Los Angeles riots
September 13	Discount rate cut from 5-1/2 percent to 5 percent, the lowest level since February 1973.	June 28	Yucca Valley/Big Bear earthquakes
	Most major banks reduce prime rate from 8-1/2 percent to 8 percent.	July 2	Federal Reserve cuts the discount rate cut from 3-1/2 percent to 3 percent, the lowest level since 1963.
October 20	Oakland Hills fire.		Prime rate cut from 6-1/2 percent to 6 percent.
November 6	Discount rate cut from 5 percent to 4-1/2 percent. Prime rate cut from 8 percent to 7-1/2 percent.	August 24- August 26	Hurricane Andrew hits Florida and Louisiana.
December 18	GM announces plans to close 21 plants and cut 74,000 jobs by the end of 1995.	August 27	General Motors closes Van Nuys plant, which employed 2,600 workers. The plant was Southern California's last remaining auto factory.
December 20	Federal Reserve cuts the discount rate from 4-1/2 percent to 3-1/2 percent.	September 2	After a record 64 days without a state budget, Governor Wilson signs the 1992-93 state budget bill.
	Prime rate reduced from 7-1/2 percent to 6-1/2 percent by many large banks.	September 11	Hurricane Iniki hits the Hawaiian island of Kauai.
<b>1992</b>			
January 1	California gasoline and diesel fuel tax increase of one cent per gallon.		

## CHRONOLOGY--Continued

1993		1994	
January 1	California gasoline and diesel fuel tax increase of one cent per gallon.	January 17	A destructive earthquake registering 6.8 on the Richter scale, centered in Northridge, struck Southern California at 4:31 a.m.
February 17	President Clinton announces economic plan, which cuts defense spending by \$188 billion from 1994 - 1998.	February 4	Federal funds rate raised from 3.0 percent to 3.25 percent, the first increase in five years.
February 26	Bomb blast at the New York's World Trade Center	March 22	Federal funds rate raised from 3.25 percent to 3.50 percent.
March 11	Seven California bases are included in the Department of Defense announcement to close 31 major bases.	March 21-April 4	Stock market selloff reduces Dow Jones Industrials by 9.7 percent from January peak. Treasury 30-year bond yields 7.42 percent, up from 5.79 percent in October. Fixed rate mortgages exceed 8 1/2 percent, compared to 6.8 percent in October, 1993.
Summer	Great Flood of '93, from Minnesota to Missouri, caused an estimated \$12 billion in damage and covered over 10 million acres. Clinton declared more than 200 counties federal disaster areas, including all 99 counties in Iowa.	April 18	Federal funds rate raised from 3.50 percent to 3.75 percent.
August 11	President Clinton signed into law his economic program that calls for spending curbs and higher taxes to reduce projected federal budget deficit by \$496 billion over a five-year period.	May 17	Federal funds rate raised from 3.75 percent to 4.25 percent.
		August 16	Federal funds rate raised from 4.25 percent to 4.75 percent.
		November 15	Federal funds rate raised from 4.75 percent to 5.5 percent.
Fall	Thirteen wild fires raged Southern California, some attributed to arson. Five counties were declared disaster areas.	December 2	Congress approved the General Agreement on Tariffs and Trade (GATT). The GATT accord cuts tariffs globally by roughly 40%, extends intellectual-property rights and tightens rules on investment and trade in services.
November 19	The North American Free Trade Agreement (NAFTA) is passed. Businesses anticipate expanded opportunities south of the border and increased jobs in the U.S.		
December 10	Japan and the U.S. agreed on a plan to open Japan's markets to rice import.		

## CHRONOLOGY--Continued

1994-Continued		1995--Continued	
December 7	A leveraged investment strategy led to huge losses for an Orange County, California, investment fund. The County filed for bankruptcy protection, the largest such municipal filing ever.	March 13	China and the U.S. reached agreements that should further open Chinese markets to U.S. agricultural production. China also agreed to lift suspension of a 1992 market-access accord and open discussions on allowing U.S. telecommunications and insurance services into the country.
<b>1995</b>			
January	U.S. trade deficit soared by 68 percent to \$12.2 billion.	March 15	Boeing won a \$1.17 billion order for its 737-600 airliners from Scandinavian Airlines.
January 31	The Clinton Administration announced a program of loans and currency swaps to prop up the Mexican peso. The plan will utilize existing authority and will involve several international agencies. The peso has been devalued by more than 40 percent against the U.S. dollar since early December.	March-April	Dollar hits post WW II lows against the yen and mark.
		April 19	Bomb blast at an Oklahoma City federal building.
		April 30	President Clinton announced a cutoff of all trade by U.S. companies with Iran.
January-March	California was battered by its worst series of storms since 1986. Severe floods forced the evacuation of thousands of residents and caused an estimated \$2 billion of damage making it the costliest winter storm in the history of the State.	May 22	NASA intends to cut 28,860 jobs and consolidate space-shuttle activities under a single contractor within the next five years.
		May 24	Boeing plans to cut 5,000 more jobs this year than previously projected, bringing the total to 12,000 by year-end.
February 12	Federal funds rate raised from 5.5 percent to 6 percent.		
February 24	Dow Jones Industrial average topped the 4000 mark.	June 5	Boeing won at least two-thirds of a \$6 billion commercial-jetliner order from Saudi Arabian carrier Saudia, with the remainder going to McDonnell Douglas Corporation.
March 10	McDonnell Douglas won a \$910 million order for at least 30 Apache attack helicopters from the Royal Netherlands Air Force.	July 6	Federal funds rate reduced from 6 percent to 5.75 percent.

## CHRONOLOGY--Continued

1995--Continued		1996—Continued	
October	Florida's panhandle was hit hard by Hurricane Opal.	January 25	Wells Fargo & Co. will merge with First Interstate Bancorp.
	Boeing Co. union machinists strike.	January 31	Federal funds rate reduced from 5.50 percent to 5.25 percent.
November 14- November 19	Budget impasse caused partial federal government shutdown and furlough of non-essential federal employees.	February 8	President Clinton signed a landmark telecommunications bill into law.
November 15	Boeing won a \$12.7 billion order from Singapore Airlines.	February 9	Boeing Co. intends to fill 7,000 new jobs by early 1997 in its rebounding commercial-jet division.
November 20	Dow Jones Industrial average topped the 5000 mark.	March-June	Gasoline retail prices in California increased by 28 percent--sharply higher than the sizable nationwide increase of about 12 percent.
December 4	President Clinton authorized a vanguard of U.S. troops to move into Bosnia. The advance troops will set up headquarters in preparation for thousands more U.S. soldiers to follow.	March 6- March 22	United Auto Workers strike at General Motors Corp.'s brake-parts plants in Dayton Ohio.
	Strikers at Caterpillar rejected a proposed six-year contract, but the United Auto Workers union called an end to the 17-month walkout anyway.	April 1	Pacific Telesis, parent of Pacific Telephone, agreed to be acquired by San Antonio based SBC (formerly Southwestern Bell).
December 19	Federal funds rate reduced from 5.75 percent to 5.50 percent.	April 23	Bell Atlantic and Nynex agreed to merge.
<b>1996</b>		May 14	The California Public Employees Retirement System reached the \$100 billion mark.
December 18- January 7	The federal government shut down partially again as budget talks stalled.	June 5	Packard Bell and NEC will merge their personal computer operations creating one of the largest PC makers in the world
January 3	AT&T will eliminate at least 40,000 jobs over the next three years as part of its plan to split into 3 companies.	July 3	Lockheed Martin won the \$1 billion federal contract to build a prototype for a next-generation space shuttle.
January 8-10	Blizzard paralyzed the East Coast.		

## CHRONOLOGY--Continued

1996—Continued		1996—Continued	
July 12	Hurricane Bertha hits the North Carolina coast.	December 13	Countries representing most of the world's high-technology trade agreed to abolish tariffs on computers, software and related goods.
July 29	First Nationwide Bank will acquire Cal Fed Bancorp Inc. creating the nation's fourth largest savings and loan association.	December 16	Boeing Co. agreed to acquire McDonnell Douglas Corp.
July 30	Standard & Poor's raised California's credit rating to an A+ from an A.	December 23	Apple Computer Inc. will buy Next Software for \$400 million.
August 1	Rockwell International Corp. agreed to sell most of its aerospace and defense businesses to Boeing Co.  Aerojet landed a \$30 million contract that gives it a role in developing the nation's next-generation space shuttle.	<b>1997</b>	
August 5	PacificCare Health Systems Inc. will buy competitor FHP International Corp. making it the second largest managed care organization in California.	Winter	Rivers in the West overflowed as rain and melting snow brought flooding in the Northwestern states, California and Nevada.  The flooding has cost California's agricultural industry \$155 million so far, according to state officials.
August 10	A massive disruption in a sprawling power system triggered a widespread electricity outage affecting millions of people in parts of at least nine Western states.	January 13	Faced with unprecedented demand for new phone lines for Internet surfers and home offices, Pacific Bell will hire more than 2,500 employees in California.
September 5	Hurricane Fran hits Carolina coast.	January 14	Kaiser is consolidating its Northern and Southern California operations into a single division in a move to streamline operations and cut costs.
October 1	Federal minimum wage raised from \$4.25 to \$4.75.	January 15	Mexico announced that it will repay U.S. loan three years ahead of schedule.
October 14	Dow Jones Industrial average topped the 6000 mark.	January 16	General Motor's Hughes Electronics will be acquired by Raytheon Corp.

## CHRONOLOGY--Continued

1997—Continued		1997—Continued	
January 20	Banc One Corporation agreed to buy First USA Inc. making it the nation's third largest credit card company.	April 30	First quarter GDP grew at a robust 5.6 percent fueled by a big inventory buildup, warm weather and the biggest rise in consumer spending in ten years.
January 29	U.S. Treasury issues the first \$7 billion in 10-year inflation-indexed notes.		Boeing won an order from Russia's Aeroflot, its first big push into one of the world's untapped markets.
February 5	Morgan Stanley and Dean Witter, Discover have agreed to merge.	May 28	Shortages have pushed coffee prices to a 20-year high.
February 13	Dow Jones Industrial average topped the 7000 mark.	July 1	China regained sovereignty over Hong Kong.
February 19	U.S. trade deficit hits 8-year high.	July 4	Lockheed Martin agreed to buy Northrop Grumman.
February 26	3Com Corporation will buy U.S. Robotics.	July 7	British Telecom's planned acquisition of MCI was approved by the U.S. Justice Department.
March 1	California's minimum wage raised from \$4.75 to \$5.00.	July 16	Dow Jones Industrial average topped the 8000 mark.
March 7	Federal 10 percent tax on airline tickets was reimposed.	August 4	The European Commission formally cleared the merger of Boeing and McDonnell Douglas.
March 20	U.S. Bancorp agreed to be acquired by First Bank System.	August 4-18	Teamsters union strike against United Parcel Service.
March 25	Federal funds rate raised from 5.25 percent to 5.50 percent.	September 1	California's minimum wage raised from \$5.00 to \$5.15.
April	The nation's unemployment rate falls to a 24-year low.	September 5	Major airlines raised ticket prices by five percent nearly across-the-board.
April 1	SBC's plan to acquire Pacific Telesis was approved by California regulators.		

## CHRONOLOGY--Continued

1998

	1997—Continued	January 5	Bond prices surged sending the 30-year Treasury to a record low yield of 5.73 percent, while comparable government-bond yields reached their lowest levels since the 1960s.
September 18	Coopers & Lybrand agreed to merge with Price Waterhouse.		
September 24	Travelers Group agreed to buy Salomon Brothers.		
		January 26	Compaq agreed to acquire Digital Equipment Corporation.
October 17	Ernst & Young agreed to merge with KPMG Peat Marwick.	February 2	Standard and Poor's stock index passed the 1000 milestone for the first time.
October 27	The Dow Jones Industrial average posted its worst one-day point loss ever. The relentless selling drove the industrial average down 554.26 points, or 7.18 percent.	February 27	Fourth quarter 1997 GDP growth rate revised to 3.9 percent, down from an initial estimate of 4.3 percent.
November 21	Yamaichi Securities, Japan's no. 4 securities firm will shut down, it's largest corporate failure since WWII.	March 1	California's minimum wage raised from \$5.15 to \$5.75.
		Winter	El Nino-fueled storms caused widespread flooding and landslides in California. Thirty-five counties declared federal disaster areas. The State's agriculture industry estimates a flood-related loss of \$57.4 million so far.
December 3	South Korea agreed to a broad dismantling of its interlocked financial and industrial system as the price for a record \$55+ billion IMF bailout.		
November - December	Asia's crashing currencies are rapidly destroying the financial health of the regions. The Indonesian rupiah and Korean won have lost more than half their value against the U. S. dollar this year.	March 17	Washington Mutual and H.F. Ahmanson & Co. agreed to merge.
		March 18	The NASD and AMEX boards agreed to join the two securities market.
December 19	California's jobless figure fell sharply to 5.8 percent in November, the lowest in over seven years.	March 19	The U.S. trade deficit for January widened to its worst level in six years.

## CHRONOLOGY--Continued

1998—Continued

March 20	Boeing plans to reduce approximately 6,200 jobs in California by the year 2000.
March 24	Xerox Corp. plans to cut 10,000 jobs worldwide or 11 percent of its workforce.
March 30	OPEC agreed to cut crude-oil production by 1.25 million barrels a day.
April 6	Citicorp and Travelers Group agreed to merge.  Dow Jones Industrial average topped the 9000 mark.
April 8	Tornadoes swept the South causing death and significant property damage.
April 13	NationsBank formally announced its merger with BankAmerica while BancOne confirmed its planned combination with First Chicago.
April 14	Intel announced that it will eliminate up to 3,000 jobs over the next six months.
April 22	National Semiconductor plans to cut its worldwide workforce by 10 percent, or about 1,400 people.

# REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-1991

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28
Nov.	1982	July	1990	March	1991	92	8	100